

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0827-02
Bill No.: HCS for HB 233
Subject: Health Care; Insurance - Medical; Insurance Dept.; Mental Health
Type: Original
Date: April 10, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$3,129 to \$6,258)	(\$6,445 to \$12,890)	(\$6,638 to \$13,276)
Total Estimated Net Effect on General Revenue Fund	(\$3,129 to \$6,258)	(\$6,445 to \$12,890)	(\$6,638 to \$13,276)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated	\$8,000	\$0	\$0
Patrol Highway Fund	(\$29,130 to \$58,261)	(\$60,008 to \$120,017)	(\$61,808 to \$123,617)
Highway Fund - MoDOT	(\$113,056 to \$226,112)	(\$232,895 to \$465,790)	(\$239,882 to \$479,764)
Other MoDOT Funds	(\$992 to \$1,985)	(\$2,044 to \$4,088)	(\$2,105 to \$4,209)
Total Estimated Net Effect on Other State Funds	(\$135,178 to \$278,358)	(\$294,947 to \$589,895)	(\$303,795 to \$607,590)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Federal Funds	(\$1,257 to \$2,514)	(\$2,589 to \$5,178)	(\$2,667 to \$5,334)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$1,257 to \$2,514)	(\$2,589 to \$5,178)	(\$2,667 to \$5,334)

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration, Department of Health and Senior Services and Department of Social Services** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Mental Health (DMH)** state to the extent that DMH consumers have insurance coverage, there could be minimal savings to the Department. However, it is likely that any savings would be offset by increased service utilization of individuals who are currently covered. At this time, the DMH is unsure of the number of consumers that would be affected by this proposal, the type of coverage involved and/or the amount of insurance coverage. Based on the current understanding that any savings would be offset by additional service utilization costs, the resulting impact to DMH would be zero.

Officials from the **Missouri Department of Conservation (MDC)** state this proposed legislation would not appear to have a fiscal impact on MDC funds.

ASSUMPTION (continued)

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state HCP HMO and Copay plans cover Mental Health and Chemical Dependency as any other medical benefit under the plan. This proposal does not fiscally impact the state.

The HCP public entity PPO plan applies some limitations (Inpatient Mental Health: 90 days/year; Chemical Dependency: 21 days/year; Detoxification: 6 days/year; and Chemical Dependency: \$50,000 lifetime maximum) to the Mental Health/Chemical Dependency benefit. Therefore, this may result in the acquisition of additional risk and could produce a minimal premium increase (e.g. A 0.5% increase would equate to approximately \$141,125).

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** defer to the Department of Transportation for response regarding the fiscal impact of the proposal on the MHP.

Officials from the **Department of Transportation (DOT)** state the Highway & Patrol Medical Plan covers mental health services the same as medical services. As a result, there would be no impact to the Medical Plan for mental health services. However, the Medical plan has a 30-day maximum per plan year for inpatient hospital services and inpatient medical care for the treatment of chemical dependency and a 20-day maximum per plan year for outpatient services and treatment of chemical dependency. In addition, the Medical Plan has a lifetime maximum of four times the plan year maximum for chemical dependency treatments and services. Because this proposal would require the Medical Plan to cover chemical dependency services with no greater financial burden than medical services, the proposal would have a fiscal impact on the Medical Plan due to the chemical dependency provisions.

DOT spoke to the Medical Plan's actuary, Watson and Wyatt. Based on their review of a report to Congress in June 2000 by the National Advisory Mental Health Council, they estimated that this proposal would result in an increase of 0.7% to 1.4% of total claims due to the annual maximum number of days and lifetime maximum for treatment being removed. Based on Watson and Wyatt's knowledge of the plan, they believe the plan would demonstrate an increase closer to 0.7% with this legislation/plan design.

There are many factors that effect mental health/chemical dependency utilization, including economic conditions (job security, financial stability, stress, etc.), catastrophic events (9/11), and provider coding. Therefore, although the medical plan currently has parity with mental health services but not chemical dependency services, we are assuming a range from 0.7% to 1.4% as the increase in costs associated with this proposal.

ASSUMPTION (continued)

Westport Benefits reported that the Medical Plan paid a total of approximately \$42,161,000 in claims for the calendar year 2002. Based on this information, DOT is assuming there would be an increase of approximately \$295,127 to \$590,254 ($\$42,161,000 \times 0.007$ to $\$42,161,000 \times 0.014$) in total claims to the Highway & Patrol Medical Plan.

The Medical Plan consists of 77% DOT and 23% Patrol participants. Therefore, there would be a fiscal impact of \$227,248 to \$454,496 ($\$295,127 \times 0.77$ to $\$590,254 \times 0.77$) due to DOT participation and \$67,879 to \$135,758 ($\$295,127 \times 0.23$ to $\$590,254 \times 0.23$) due to Patrol participation. Assuming this legislation would become effective on January 1, 2004 (effective date for the Medical Plan), the FY 04 fiscal impact for 6 months will be \$113,624 to \$227,248 ($\$227,248/12 \times 6$; $\$454,496/12 \times 6$) for DOT and \$33,940 to \$67,879 ($\$67,879/12 \times 6$; $\$135,758/12 \times 6$) for the Patrol.

Historically, the department and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the Medical Plan, Missouri Highway Transportation Commission (MHTC), DOT, and Patrol must make a decision on how to fund the increase.

Officials from the **Department of Insurance (INS)** state insurers would be required to change their policies to comply with new mental health mandates. The INS estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with this legislation. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being request with this single proposal, but if multiple proposals pass during the legislative session that require policy form amendments and review, the department will need to request additional staff to handle the increase in workload.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE			
<u>Costs - Department of Transportation</u>			
Increase in contributions	<u>(\$3,129 to \$6,258)</u>	<u>(\$6,445 \$12,890)</u>	<u>(\$6,638 to \$13,276)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$3,129 to \$6,258)</u>	<u>(\$6,445 to \$12,890)</u>	<u>(\$6,638 to \$13,276)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Policy form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
PATROL HIGHWAY FUND			
<u>Costs - Department of Transportation</u>			
Increase in contributions	<u>(\$29,130 to \$58,261)</u>	<u>(\$60,008 to \$120,017)</u>	<u>(\$61,808 to \$123,617)</u>
ESTIMATED NET EFFECT ON PATROL HIGHWAY FUND	<u>(\$29,130 to \$58,261)</u>	<u>(\$60,008 to \$120,017)</u>	<u>(\$61,808 to \$123,617)</u>
HIGHWAY FUND			
<u>Costs - Department of Transportation</u>			
Increase in contributions	<u>(\$113,056 to \$226,112)</u>	<u>(\$232,895 to \$465,790)</u>	<u>(\$239,882 to \$479,764)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$113,056 to \$226,112)</u>	<u>(\$232,895 to \$465,790)</u>	<u>(\$239,882 to \$479,764)</u>
<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006

OTHER FUNDS

Costs - Department of Transportation

Increase in contributions	<u>(\$992 to \$1,985)</u>	<u>(\$2,044 to \$4,088)</u>	<u>(\$2,105 to \$4,209)</u>
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ESTIMATED NET EFFECT ON OTHER FUNDS

<u>(\$992 to \$1,985)</u>	<u>(\$2,044 to \$4,088)</u>	<u>(\$2,105 to \$4,209)</u>
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FEDERAL FUNDS

Costs - Department of Transportation

Increase in contributions	<u>(\$1,257 to \$2,514)</u>	<u>(\$2,589 to \$5,178)</u>	<u>(\$2,667 to \$5,334)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS

<u>(\$1,257 to \$2,514)</u>	<u>(\$2,589 to \$5,178)</u>	<u>(\$2,667 to \$5,334)</u>
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FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

ALL LOCAL GOVERNMENTS

Costs - All Local Governments

Increase in insurance premiums	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS

<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

Under current law, there are several exceptions to the requirement that health insurers who cover services for mental illness and addictive disorders provide the same coverage as they do for physical illness. These include exceptions that allow insurers to limit inpatient hospital treatment for mental illness to 90 days per year (Section 376.811, RSMo), place annual and lifetime limits on alcohol and drug abuse treatment services (Section 376.827), and exclude or apply different limits to certain specified services (Section 376.833).

This proposal repeals the current law and requires health carriers that offer health benefit plans in this state on or after January 1, 2004, to provide coverage for mental health conditions. Mental health conditions are defined as those listed in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders. Coverage for mental health conditions cannot have rates, terms, or conditions that place a greater financial burden on an insured for mental health treatment than for physical health treatment.

The substitute does not apply to supplemental insurance policies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

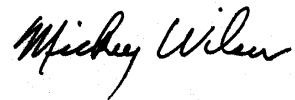
SOURCES OF INFORMATION

Department of Economic Development -
Division of Professional Registration
Department of Transportation
Department of Mental Health

HW-C:LR:OD (12/02)

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Department of Health and Senior Services
Department of Social Services
Department of Public Safety -
Missouri Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA
DIRECTOR
APRIL 10, 2003